

TAB 173

---

**From:** "Telesca, Frank (FID)" <Frank.Telesca@morganstanley.com>  
**To:** "Barrow, Pamela (FID)" <Pamela.Barrow@morganstanley.com>; "Peterson, Anton (FID)" <Anton.Peterson@morganstanley.com>; "Gilly, Kris (FID)" <Kris.Gilly@morganstanley.com>  
**Cc:** "Shapiro, Steven (FID)" <Steven.Shapiro@morganstanley.com>  
**Sent:** Tuesday, September 26, 2006 4:13 PM  
**Subject:** RE: sampling methodology

All,

Prior email cites that only 15% of the NC3 foreclosure loans were in our diligence sample. While the number is accurate, it is somewhat misleading since it does not address loans that were kicked out. (Not sure if it would be better if we reviewed and approved a lot of them.)

Working with collateral/research to do similar analysis to what we discussed in the meeting - what characteristics are most associated with default and increasing the sampling priority for them.

Frank Telesca- Executive Director  
Morgan Stanley | Fixed Income  
1585 Broadway | Floor 10  
New York, NY 10036  
Phone: +1 212 761-1105  
Fax: +1 212 507-8305  
[Frank.Telesca@morganstanley.com](mailto:Frank.Telesca@morganstanley.com)

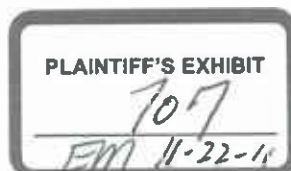
---

**From:** Telesca, Frank (FID)  
**Sent:** Tuesday, September 26, 2006 1:03 PM  
**To:** Barrow, Pamela (FID); Peterson, Anton (FID); Gilly, Kris (FID)  
**Cc:** Shapiro, Steven (FID)  
**Subject:** sampling methodology

All,

As a follow on to our sampling meeting, we are looking at early performance on our 2006 deals. In a limited sample size on NC3 (50MM of early defaults), the trend seems to show that levered 1st time borrowers (particularly those with weak docs) are defaulting very quickly.

Although it probably isn't news to anyone that these loans are weak,



they are a significant portion of the foreclosure bucket in month 6 (40% of foreclosure loans are to 1st time borrowers, 65% of those loans are stated and they have a 95+% Simultaneous 2nd LTV). Despite these characteristics, only 15% of the loans that are in the NC3 Foreclosure bucket were in our diligence sample. We are in the process of looking at similar data on a handful of other '06 deals to see if this is specific to New Century or is a broader trend.

Once we have a better picture of the data, we can talk about next steps.

Frank Telesca- Executive Director  
Morgan Stanley | Fixed Income  
1585 Broadway | Floor 10  
New York, NY 10036  
Phone: +1 212 761-1105  
Fax: +1 212 507-8305  
[Frank.Telesca@morganstanley.com](mailto:Frank.Telesca@morganstanley.com)